

which is available for public inspection at the Commission's Public Document Room, the Gelman Building, 2120 L Street, NW., Washington, DC, and at the local public document room located at the Learning Resources Center, Three Rivers Community-Technical College, 574 New London Turnpike, Norwich, CT 06360.

Dated at Rockville, Maryland, this 28th day of November 1995.

For the Nuclear Regulatory Commission.
James W. Andersen,

*Project Manager, Project Directorate I-3,
Division of Reactor Projects—I/II, Office of
Nuclear Reactor Regulation.*

[FR Doc. 95-29422 Filed 12-1-95; 8:45 am]

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OFFICE OF THE UNITED STATES TRADE REPRESENTATIVE

Notice of Meeting of the Industry Policy Advisory Committee

AGENCY: Office of the United States
Trade Representative.

ACTION: Notice that the December 8,
1995 meeting of the Industry Policy
Advisory Committee will be held from
10 a.m. to 2 p.m. The meeting will be
closed to the public from 10 a.m. to 2
p.m.

SUMMARY: The Industry Policy Advisory
Committee will hold a meeting on
December 8, 1995 from 10 a.m. to 2 p.m.
The meeting will be closed to the
public. The meeting will include a
review and discussion of current issues
which influence U.S. trade policy.
Pursuant to Section 2155(f)(2) of Title
19 of the United States Code, I have
determined that this portion of the
meeting will be concerned with matters
the disclosure of which would seriously
compromise the development by the
United States Government of trade
policy, priorities, negotiating objectives
or bargaining positions with respect to
the operation of any trade agreement
and other matters arising in connection
with the development, implementation
and administration of the trade policy of
the United States.

DATES: The meeting is scheduled for
December 8, 1995, unless otherwise
notified.

ADDRESSES: The meeting will be held at
the White House Conference Center,
located at 726 Jackson Place, N.W.,
Washington, D.C., unless otherwise
notified.

FOR FURTHER INFORMATION CONTACT:
Michaëlle Burstin, Director of Public

Liaison, Office of the United States
Trade Representative, (202) 395-6120.

Michael Kantor,

United States Trade Representative.

[FR Doc. 95-29419 Filed 12-1-95; 8:45 am]

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SECURITIES AND EXCHANGE COMMISSION

[Release No. 34-36516; File No. SR-CBOE-
95-16]

Self-Regulatory Organizations; Order Approving a Proposed Rule Change by the Chicago Board Options Exchange, Inc., Relating to Multi-Market Orders

November 27, 1995.

I. Introduction

On June 1, 1995, the Chicago Board
Options Exchange, Incorporated
("CBOE" or "Exchange") filed a
proposed rule change with the
Securities and Exchange Commission
("SEC" or "Commission"), pursuant to
Section 19(b)(1) of the Securities
Exchange Act of 1934 ("Act")¹ and Rule
19b-4 thereunder,² to amend CBOE
Rule 6.48 to specify certain duties of
CBOE members in effecting an options
transaction on the CBOE that is part of
a stock-option or stock-option
combination order. The Exchange filed
Amendment No. 1 to the proposal on
June 22, 1995.³

Notice of the proposal, as amended,
was published for comment and
appeared in the Federal Register on
August 16, 1995.⁴ No comment letters
were received on the proposed rule

¹ 15 U.S.C. 78s(b)(1).

² 17 CFR 240.19b-4.

³ In Amendment No. 1, the Exchange proposes to
amend subparagraph (b)(ii) of CBOE Rule 6.48 to
clarify that the existence of market conditions that
prevent the execution of the non-option leg(s) at the
agreed upon price(s) would be the only basis for
any one party to a trade representing the options
leg of a multi-market order to cancel such trade. See
Letter from Michael Meyer, Attorney, Schiff Hardin
& Waite, to John Ayanian, Attorney, Office of
Market Supervision, Division of Market Regulation,
Commission, dated June 22, 1995 ("Amendment
No. 1").

The types of "market conditions" arising in a no-
CBOE market that would be sufficient under
proposed Rule 6.48(b)(ii) to justify cancellation of
the CBOE leg(s) of a multi-market order, include,
but are not limited to, a sudden change in the price
of the underlying Securities prior to execution of
the stock trade, and a trading halt or systems failure
that precludes immediate execution of the stock
trade at the agreed upon price. See Letter from Dan
Schneider, Attorney, Schiff Hardin & Waite, to John
Ayanian, Attorney, OMS, Market Regulation,
Commission, dated June 30, 1995 ("June 30
Letter").

⁴ See Securities Exchange Act Release No. 36082
(August 10, 1995), 60 FR 42636.

change. This order approves the
Exchange's proposal, as amended.

II. Description of the Proposal

The purpose of this proposal is to set
forth in existing CBOE Rule 6.48 the
duties of CBOE members executing an
options order that is a component of a
"package" stock-option order, as
defined by CBOE Rule 1.1(ii)(a) ("stock-
option order") or stock-option
combination order, as defined by CBOE
Rule 1.1(ii)(b) ("stock-option
combination order"),⁵ the execution of
which involves transactions in CBOE's
options market and in another market (a
"multi-market" order), and to specify
the sole basis on which an options trade
that is a component of a multi-market
order may be cancelled by the members
that are parties thereto. The proposed
rule change would also make it
inconsistent with just and equitable
principles of trade, and consequently a
violation of Exchange Rule 4.1, for a
member to fail to fulfill the new
requirements.

CBOE Rule 6.48 currently provides
that bids or offers made and accepted in
accordance with Exchange rules
constitute binding contracts, but that
Rule does not address the execution and
cancellation of complex multi-market
orders. Because such orders have
become more prevalent at the CBOE as
trading strategies have become more
intricate, and because such orders
involve concurrent executions at the
CBOE and in markets other than the
CBOE, the Exchange proposes to adopt
new paragraph (b) to Rule 6.48. The
Exchange believes that this amendment
should establish well-defined
conditions and requirements in its Rules
that members must observe in executing
and cancelling such transactions.

Proposed CBOE Rule 6.48(b) would
apply to stock-option and stock-option
combination orders, other than orders
respecting index options,⁶ and would
impose two requirements on CBOE
members who are parties to such multi-
market orders. First, a member

⁵ A stock-option order is an order to buy or sell
a stated number of units of an underlying or a
related security coupled with either (a) the
purchase or sale of option contract(s) of the same
series on the opposition side of the market
representing the same number of units of the
underlying or related security or (b) the purchase
and sale of an equal number of put and call option
and numbers of units of the underlying or related
Securities, on the opposite side of the market
representing in the aggregate twice the number of
units of the underlying related security. See CBOE
Rule 1.1.(ii).

⁶ The CBOE believes that paragraph (iii) of
proposed Rule 6.48(b) makes it clear that the
proposed rule change will not apply to bids or
offers included in combination orders that entail
the purchase or sale of index options.

announcing such an order to a trading crowd must disclose all legs of the order and must identify the specific markets and prices at which the non-option leg(s) are to be filled. Second, concurrent with the execution of the option leg of any multi-market order, the initiating member and each member that is a counterparty to the trade must take steps immediately to execute the non-option leg(s) in the identified market(s).⁷ Because both of these requirements are essential to fair and efficient order execution, proposed new paragraph (c) of Rule 6.48 would provide that any failure to observe either requirement will constitute a violation of CBOE's Rule 4.1, which prohibits conduct inconsistent with just and equitable principles of trade. The Exchange believes that these new provisions will clarify members' expectations about the execution of multi-market orders covered by the proposed rule and will promote prompt execution of each non-option component of such orders.

In addition to establishing requirements incident to execution, the proposed rule change sets forth one exclusive basis on which members may cancel an executed options transaction that is part of a multi-market order. Proposed Rule 6.48(b)(ii) indicates that any member that is a party to an options transaction that is part of a multi-market order may have the options transaction cancelled only in the event that market conditions in any of the identified non-CBOE markets prevent the execution of one or more of the non-option legs of the order. The Exchange believes that cancellation under this exclusive circumstance is fair and appropriate.

The Exchange believes that the proposed rule change is consistent with Section 6(b) of the Act in general and furthers the objectives of Section 6(b)(5) in particular in that it is designed to prevent fraudulent and manipulative acts and practices, to promote just and equitable principles of change, to foster cooperation and coordination with persons engaged in facilitating transactions in securities, and to remove impediments to and perfect the mechanism of a free and open market and a national market system.

⁷ The CBOE represents that it expects the order for the non-option leg(s) of the multi-market order will be enacted concurrently with the execution of the option leg of the order. Additionally, the CBOE represents that it will advise members of this expectation in a Regulatory Circular. See Letter from Barbara J. Casey, Vice President, Department of Market Regulation, CBOE, to John Ayanian, Attorney, OMS, Market Regulation, Commission, dated November 7, 1995 ("November 7 Letter").

III. Commission Finding and Conclusions

The Commission finds that the proposed rule change is consistent with the requirements of the Act and the rules and regulations thereunder applicable to a national securities exchange, and, in particular, the requirements of Section 6(b)(5) of the Act.⁸ Specifically, the Commission finds that the Exchange's proposal to specify certain duties of CBOE members in effecting an options transaction on the CBOE that is part of a stock-option or stock-option combination order strikes a reasonable balance between the Commission's mandate under Section 6(b)(5) to remove impediments to and perfect the mechanism of a free and open market and a national market system, while protecting investors and the public interest.

The Commission believes that it is appropriate for the Exchange to clarify the conditions and requirements that CBOE members must observe when executing and cancelling multi-market orders. The Commission understands that complex multi-market orders have become more prevalent, and believes that the proposed rule change addresses the special considerations that apply when executing and cancelling such transactions. The Commission believes that it is reasonable to require a member announcing a multi-market order to a trading crowd to disclose all legs of the order and identify the specific markets and prices at which the non-option leg(s) are to be filled.

Moreover, the Commission believes that it is reasonable to require the parties to the transaction to take steps immediately to transmit the non-option leg(s) to the identified markets for execution. The Commission understands that if a party to the transaction does not take steps immediately to execute the non-option leg(s) of a multi-market order, that party is subject to CBOE Rule 4.1, which prohibits conduct inconsistent with just and equitable principles of trade. Accordingly, the Commission believes that by clarifying the duties and obligations regarding the execution of multi-market orders, this proposal will help to ensure that the non-option leg(s) of a multi-market order are sent immediately to the identified markets for execution.⁹

The Commission also believes that members executing multi-market orders should only be allowed to cancel the option leg(s) of the stock-option

transaction under limited circumstances. The Exchange proposes that a trade may be cancelled at the request of any member that is a party to that trade only if market conditions in any non-Exchange market prevent the execution of the non-option leg(s) at the price(s) agreed upon.¹⁰ The types of "market conditions" arising in a non-CBOE market that would be sufficient under proposed Rule 6.48(b)(ii) to justify cancellation of the CBOE leg(s) of a multi-market order, include a sudden change in the price of the underlying securities prior to execution of the stock trade, and a trading halt or systems failure that precludes immediate execution of the stock trade at the agreed upon price.¹¹

The Commission also notes that the priority principles regarding stock-option, and stock-option combination orders, apply to transactions covered by this proposed rule change.¹² In light of the priorities afforded to such transactions, the Commission believes that the option leg(s) of a multi-market order should be allowed to be cancelled only under the limited circumstances described above. The Commission believes that the Exchange's proposed rule change appropriately addresses this concern.

It is therefore ordered, pursuant to Section 19(b)(2) of the Act,¹³ that the proposed rule change (File No. SR-CBOE-95-16), as amended, is approved.

For the Commission, by the Division of Market Regulation, pursuant to delegated authority.¹⁴

Margaret H. McFarland,
Deputy Secretary.

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¹⁰ See CBOE Rule 6.48(b)(ii). See also Amendment No. 1, *supra* note 3.

¹¹ See June 30 Letter, *supra* note 3.

¹² Under CBOE Rule 6.45, stock-option orders, as defined in CBOE Rule 1.1(ii)(a), may attain priority over the trading crowd (but never over the limit order book) when the option leg trades at a price that is at least equivalent to quotes in the crowd. Additionally, stock-option combinations will take priority over orders in the crowd when all legs of the combination trade at a price that is at least equivalent to quotes in the crowd. Stock-option combinations will also attain priority over the limit order book, when one leg of the transaction trades at a price that is better than the corresponding bid or offer in the book and the remaining legs of the transaction trades at a price that is at least equivalent to the established bids or offers in the crowd or book. See Securities Exchange Act Release No. 34764 (September 30, 1994), 59 FR 51223 (October 7, 1994).

¹³ 15 U.S.C. 78s(b)(2).

¹⁴ 17 CFR 200.30-3(a)(12).

⁸ 15 U.S.C. 78f(b)(5).

⁹ See November 7 Letter, *supra* note 7.